

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2018/2019

### BSM3804 – STRATEGIC MANAGEMENT

(All sections / Groups)

2 MARCH 2019

9.00 a.m. – 11.00 a.m.

(2 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FIVE (5) pages**, *excluding the cover page*.
2. There are **THREE (3)** questions in Section A, and **THREE (3)** questions in Section B. Attempt **ALL** questions. The distribution of marks for each question is as given.
3. Please write all your answers in the Answer Booklet provided.

**SECTION A: CASE STUDY (40 MARKS)**

**Instruction: Read the case carefully and answer ALL THREE (3) questions based on the case. Your answers should not be limited to the content of the case.**

**Brewing his second cuppa tea**

THE story of how Tealive came about is probably known to many. The brouhaha with its predecessor wasn't exactly a quiet one. But Bryan Loo, chief executive officer of Loob Holding Sdn Bhd – the owner of the Tealive brand – has made good of his second take on bubble tea. Tealive passed its 200th store milestone in Malaysia earlier this month and is looking at rapid expansion in the region next year. "We were lucky that the transition (from being the Chatime franchisee to Tealive owner) was smoother than we could have expected. And we grew by 50 outlets this year in Malaysia alone. So it shows there's consumer acceptance (of the Tealive brand)," he says.

For those not in the know, Loo was previously the master franchisee of the Chatime brand in Malaysia until its Taiwanese brand owner La Kaffa International Co Ltd terminated the agreement in January 2017. Following the termination, Loob launched Tealive the following month and some 165 Chatime stores were then converted into Tealive stores. Operationally, not much has changed, says Loo, as it is still running a similar business. But operating his own brand has been a liberating experience. "The sky is the limit," he says. "Being a brand owner required us to have a change of mindset. Previously, we were just taking instructions, but now, we are taking care of our own brand and we need to think of how we can take the brand international. We feel super empowered. It is more purposeful because Tealive is a Malaysian homegrown brand," adds the thirty-three-year-old.

The company is also looking at ways to continue innovating its customer experience and product offering to expand its reach. The idea, he says, is to modernise the tea drinking experience for its customers. It is currently reportedly serving 2.5 million customers a month.

Its menu has expanded to include coffee and snacks to cater to its larger store format, particularly in smaller towns where patrons are looking for a sit-down venue. It has outlet sizes that range from 80sq ft to 3,000sq ft. "We are hungry enough to look at every platform available to grow. The different store formats give us the flexibility to grow as and when," says Loo. "We have also innovated in terms of customer experience. We have our proprietary drinks dispensing system which allows us to make the drinks in front of our customers rather than at the back of the store. So everything is fitted under the counter with a clean and sleek look. We have over 30 outlets using this new system," he says. The company is also focused on doing more research and development (R&D) work to localise its products for the various markets that it is expanding into.

***Regional brand***

Loo has had his eyes on the international market since the launch of Tealive. There are plenty of opportunities in the region, he notes. Most of the other bubble tea brands that have proliferated in the region, and even around the globe, are mainly of Taiwanese or Chinese origin. There is yet a strong brand name from the South-East Asian region and Loo hopes to see Tealive fill those shoes. "We are committed to make this Malaysian brand an international player." Within six months after the birth of Tealive, Loob took the brand to Vietnam with an aim of opening eight outlets by the end of 2018. Early this year, Loob entered into a joint venture with two Chinese companies, Zhejiang Boduo International Trade Co Ltd and Shanghai Panfei International Trade Co Ltd, to open 500 stores in China within three years. It also penetrated the Australian market

in July with its first store in Melbourne and recently appointed a master franchisee in India with the target of opening 200 outlets within five years.

While Loo is excited about the prospects in the international market, he acknowledges that the challenges are also manifolds bigger. "It can be scary because of the communication barrier. And there is a lot of uncertainty," he says. Apart from India, Tealive has gone into the other countries on a joint venture basis. This means that Tealive will have to set up its own teams to build the business in the other markets from scratch. "When we go into a new market, we go in with a corporate store. Even with a JV partner, we are still the majority shareholder. A lot of other players go through franchisees, which is easier because it is up to the franchisee to build the business. But it's not sustainable. "We want to get to know the market and the business. So we send in our own corporate team and we are dealing with the local people ourselves. So it is a challenge," he explains. Even in Malaysia, about 70% of Tealive outlets are corporate stores. This model keeps them invested in the business, he adds. Tealive will start exploring franchise opportunities once it has build a stronger foundation for each of the markets it is in. Even so, Loo is cautious about who takes on its franchise. From experience, he knows that a good and trustworthy partner is essential in growing a brand.

Notably, each market will have its own challenges. China is a highly competitive market, while Vietnam is mired with red tape. On the other hand, Australia has high manpower cost. But these challenges have given Tealive a good learning opportunity and a platform to apply these learnings across its markets. This will enable the group to improve its operating model, products and R&D works as it draws from the various trends, cultures and preferences in the region. One of the ways it differentiates itself in the other markets is through product offering. For example, in Australia, Tealive offers health boosters such as collagen in its drinks. This could put it in the health drink segment and change the way people view bubble tea, says Loo, which would boost its standing in an increasingly health-conscious society. Over in China, the brand has leveraged Malaysian ingredients to offer the Chinese market a unique variety such as Durian Milkshake, Green Tea and Oolong Tea with Durian Mousse, as well as hot drinks such as Ginger Sabah Milk Tea. "The China business is doing well. We have a very targeted offering. We wanted to be well-known for our durian products first. This will help us stand out in the market," says Loo.

He hopes to be in 15 markets by 2020, including Japan, Indonesia, Myanmar, Mongolia and the United Arab Emirates. He is also eyeing the European market. According to him, one of the advantages that the Tealive team has on the global front is language capability. Given that most other bubble tea brands are from Taiwan and China, they tend to stay away from English-speaking markets, he says. But amidst its aggressive plans, Loo is also proceeding with caution to avoid putting too much stress on its cashflow. "The international outlets need time to grow and because we are going into these markets on our own, we are exhausting our local cashflow for regional expansion," he says.

Tealive will be raising funds in the equity market to continue its expansion plans and Loo expects the IPO exercise to take place late 2019. For now, its local business is still generating strong revenues. But he intends to grow the international business to eventually contribute half of its sales. As at end-2018, Tealive has 210 local outlets and 15 stores overseas. "This year, we've grown in store count, bottomline and topline. Maybe next year, there will be less available mall space for us to tap into but there will still be real estate opportunities that we can take advantage of, perhaps in petrol stations or standalone shops. We are still positive about next year. Our products are not premium products and should still see a good crowd. "In terms of the equity market, I think investors are looking for good listings. I think they will give Tealive that value," says Loo.

*Chinese connection*

While its tie-up with its Chinese partner will see Tealive's expansion in China, the partnership will also help Loob in its other ventures. One of the opportunities that Loo hopes to explore in 2019 is to venture upstream. "We want to manufacture our own ingredients. Malaysia is a big producer of tapioca, which is the main ingredient for the pearls. So we want to start our own manufacturing plant for pearls," he says. While this part of the business may be new to Loo's team, they will be able to leverage its Chinese partner's expertise to grow this new vertical. "Our Chinese partner is the fourth largest F&B group in China. They have 14,800 stores in China and they are also a manufacturer. So we are going to do a JV with them to set up this facility," he adds.

Apart from tapioca, Loo notes that there are a lot of ingredients that are only available in the region, which it can exploit. These include durian, bentong ginger and cempedak. Although these ingredients are already used in its China menu, the group needs to look into ways to "industrialise these ingredients" to expand its offerings across the board. The move upstream will also help Tealive have a better grasp over the supply chain for its products. "We want to expand into the full supply chain, not just retail. When you are a brand owner, a lot of times, you will be challenged by food safety requirements. So by controlling the value chain, you can control the quality of your products," he says. Additionally, the tie-up will see Loob bringing its partner's brands into the South-East Asian region as a JV partner, opening up more business opportunities for the group moving forward. It can be said that the launch of Tealive has turned out to be quite a turning point for Loo. "I think we were lucky to be able to have persevered this far. We have gotten good insights from the business that we've been running because we are very hands-on in the business. And having a good team has helped us with brand success," he says.

Source: Lee, J. (2018, December 31). Brewing his second cuppa tea. *The Star*, Retrieved from <https://www.thestar.com.my/business/smebiz/2018/12/31/brewing-his-second-cuppa-tea/>

- a) The internal assessment process involves analyzing the strengths and weaknesses of the organization. Explain in detail any **FIVE (5)** strengths and **FIVE (5)** weaknesses of Tealive.

(20 marks)

- b) Using the points discussed in the previous question, prepare an Internal Factor Evaluation (IFE) matrix for Tealive by using the template in the following page. Calculate and discuss the meaning of the Total Weighted Score for the IFE matrix

(15 marks)

Continued...

Key Internal Factors		Weight	Rating	Weighted Score
<i>Strengths</i>				
1.		0.20	4	
2.		0.20	4	
3.		0.18	3	
4.		0.15	3	
5.		0.05	3	
<i>Weaknesses</i>				
1.		0.10	2	
2.		0.05	2	
3.		0.03	1	
4.		0.02	1	
5.		0.02	1	
<b>Total</b>		<b>1.00</b>		

- c) Recommend a new strategy that can be implemented by Tealive. Provide a detailed explanation on how the strategy can be implemented.

(5 marks)

**[Total: 40 marks]**

**Continued...**

**SECTION B: ESSAY/STRUCTURED QUESTIONS (60 MARKS)****Instruction: Answer ALL THREE (3) questions.****QUESTION 1**

(a) Discuss the similarities between business and military strategy.

(2 marks)

(b) Based on the mission statement below, identify the **NINE (9)** components that are covered in the mission statement and the corresponding statement/keyword that reflects the component (*e.g. Name of component - Keyword/statement*).

Our mission is to design, produce, and distribute the world's best fragrances, perfumes, and personal care products to women, men, and children by utilizing the latest technological improvements. We empower our highly creative team of researchers to develop safe, eco-friendly products that will enable our firm to profitably grow through thousands of retail outlets. We strive to be one of the most socially responsible firms on the planet and appreciate our employees making that happen, while following the "golden rule" in all that we do.

(18 marks)

**[Total: 20 marks]**

**QUESTION 2**

Prepare a Boston Consulting Group (BCG) matrix for a real-life company of your choice and describe each category in detail by including examples of the company's products or services. Recommend suitable strategies for each category.

**[Total: 20 marks]**

**QUESTION 3**

(a) As the newly appointed Chief Executive Officer of Leanergy Berhad, you have been tasked to turn around the company into profitability. You are planning to implement various changes at operational and strategic level. However, there is a strong resistance from people within the company. Explain in detail any **THREE (3)** techniques to reduce resistance to change by including relevant examples.

(15 marks)

(b) Discuss the differences between the business culture of USA and Mexico.

(5 marks)

**[Total: 20 marks]**

**End of Page**

